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DEPT FOR T (JWOLCOTT, MHUMPHREY), ISN/NESS (ABURKART,PMCNERNEY),
ISN/RA (RBEISECKER) AND EAP/MLS
STATE PLEASE PASS TO NUCLEAR REGULATORY COMMISSION
(KFOGGIE,SBURNS,JRAMSEY,KHENDERSON)
DEPT OF ENERGY FOR DOE/NE (EMCGINNIS, CWELLING), NNSA/NA-21
(JMCLELLAND-KERR, KAPT, DKOVACIC, SDICKERSON, IBOLSHINSKY, SMOSSES,
ABIENIAWSKI)
COMMERCE PLEASE PASS TO USTDA (DROSSITER)
COMMERCE FOR ITA/MAC/HONG-PHONG PHO

SENSITIVE
SIPDIS

E.O. 12958: N/A

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SUBJECT: AMBASSADOR WOLCOTT DISCUSSES CIVIL NUCLEAR COOPERATION
UNDER JOINT DECLARATION WITH VIETNAMESE COUNTERPARTS

REF A: HANOI 898
REF B: STATE 54213
REF C: HANOI 713

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SENSITIVE BUT UNCLASSIFIED. PLEASE PROTECT ACCORDINGLY.

11. (SBU) Summary: Ambassador Jackie Wolcott, the Secretary of State's Special Envoy for Nuclear Nonproliferation, led an interagency delegation to meet with several high-ranking Government of Vietnam (GVN) officials to advocate for U.S. nuclear energy cooperation and nonproliferation initiatives. Vietnamese officials praised ongoing U.S. assistance and sought continued cooperation to develop a safe and secure civilian nuclear power sector, showing particular interest in assistance with treaty analysis, legal framework formulation, human resources development, and technology selection. Ambassador Wolcott highlighted potential cooperation under the Joint Declaration on Nuclear Energy and Nonproliferation (Joint Declaration), urged Vietnam to consider joining the Convention on Supplementary Compensation for Nuclear Damage (CSC), encouraged Vietnam to participate in the Global Nuclear Energy Partnership (GNEP), and advocated for the GVN to finalize negotiations towards a framework Memorandum of Understanding (MOU) on nuclear energy cooperation. Ambassador Wolcott also sought Vietnamese support for a U.S.-funded World Bank study on the cost competitiveness of nuclear power and requested that Vietnam join three technical conventions on nuclear safety and security. The Vietnamese made no mention of Nuclear Nonproliferation Treaty (NPT) rights or of interest in sensitive technologies, and indicated that fresh and spent fuel services would be managed through the market, perhaps in conjunction with reactor contracts. End summary.

Visit Details

12. (SBU) From August 16-20, Ambassador Jackie Wolcott led a delegation of U.S. policy officials and technical experts from the State Department and the U.S. Nuclear Regulatory Commission (NRC) to visit the Dalat nuclear research reactor and to meet with several high-level GVN officials at the Ministries of Science and Technology (MOST), Industry and Trade (MOIT), and Foreign Affairs (MoFA) to discuss nuclear energy cooperation and nuclear nonproliferation. Meetings were also held with officials from the Vietnam Atomic Energy Commission (VAEC) and the Vietnam Agency for Radiation and

Nuclear Safety & Control (VARANSAC). Ambassador Wolcott also provided a press briefing on existing and proposed U.S.-Vietnam cooperation that resulted in positive local media coverage.

Vietnam's Nuclear Power Plans

¶3. (SBU) MOST Vice Minister Tran Quoc Thanh, VARANSAC Deputy Director General Le Chi Dung, and VAEC Vice Chairman Le Van Hong provided an update on Vietnam's plans for nuclear energy development. Following the approval of a long-term "Strategy for Peaceful Utilization of Atomic Energy up to 2020" (January 3, 2006) and a "Master Plan for Implementation of the Long-term Strategy" (July 23, 2007), Vietnam's National Assembly passed a comprehensive Atomic Energy Law on June 3, 2008. (Comment: GVN officials repeatedly cited the helpful role played by the NRC and NNSA in the preparation of this law, which will become effective on January 1, 2009. End Comment.) A Pre-feasibility Report, envisioning a 2,000 MW nuclear power plant (NPP) at Phuoc Dinh (Ninh Thuan province), is currently being finalized for submission to the National Assembly for approval. A feasibility study would be completed by 2009 and the NPP's license application would be submitted by 2011. In 2012-2013, bids for an engineering, procurement, and construction (EPC) contract would be received. Construction would begin around 2014, and the NPP would come online around 2020. MOST officials commented that since Vietnam lacked the experience necessary for the development of a nuclear power program, it would rely heavily on nuclear cooperation with advanced nuclear energy states.

Vietnamese Officials Seek Continued Cooperation On Nuclear Infrastructure Development

¶4. (SBU) Vietnamese officials reaffirmed their commitment to the safe and secure development of civilian nuclear power and noted GVN

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support for the NPT and other treaties that minimized the risk of nuclear weapons proliferation. All expressed their appreciation for ongoing U.S. assistance, notably the conversion of the Dalat nuclear research reactor from highly enriched uranium (HEU) to low-enriched uranium (LEU) fuels. They noted the return of unused fresh HEU fuel from that facility to Russia, and expressed their desire to also repatriate spent HEU fuel (which was still currently stored in the research reactor pool). GVN officials expressed interest in continued cooperation with the United States as Vietnam develops the physical and regulatory infrastructure for its civilian nuclear power sector. VARANSAC officials stated that their greatest needs included development of human resources (HR), drafting of a legal and regulatory framework, analysis of technical safety and security conventions, and emergency preparedness and response capacity. To address the HR challenge, DDG Dung noted that his agency was drafting a decree on this subject to be submitted to the National Assembly next year, and he suggested expert-level visits to the U.S. for consultation and training. VAEC officials cited infrastructure development, as well as assistance with technology (reactor) selection, as cooperation areas of greatest interest. Regarding the latter, Vice Chairman Hong suggested the U.S. should hold a workshop to introduce nuclear newcomers to "state of the art" nuclear reactors. In response, Ambassador Wolcott encouraged him to attend the IAEA General Conference in late September, where many representatives of the U.S. nuclear industry would be available to discuss their products in detail.

Reliable Access to Nuclear Fuel

¶5. (SBU) During her meetings with Vice-Ministers at MOST, MOIT, and MoFA, Ambassador Wolcott reviewed how the United States might provide immediate assistance to Vietnamese nuclear safety and security efforts pursuant to the Joint Declaration. The Ambassador explained that one important element of the Joint Declaration is the reliable provision of nuclear fuel services to encourage states to choose the international market for fuel supply and offer a viable alternative to the development of sensitive nuclear fuel cycle technologies. The Vietnamese made no mention of NPT rights or of

interest in sensitive technologies, and indicated that fresh and spent fuel services would be managed through the market, perhaps in conjunction with reactor contracts.

Global Nuclear Energy Partnership (GNEP)

¶6. (SBU) Ambassador Wolcott highlighted the recent invitation to Vietnam from the United States and the other twenty GNEP partner countries to join the Partnership and attend the upcoming GNEP Ministerial in Paris on October 1. Following up on points made by Department of Energy Deputy Assistant Secretaries Ed McGinnis and Craig Welling during their recent visit to Hanoi (Ref A), the Ambassador noted that GNEP provided a framework for longer-term nuclear cooperation consistent with the Joint Declaration and International Atomic Energy Agency (IAEA) initiatives.

U.S.-Vietnam Nuclear Energy MOU

¶7. (SBU) Ambassador Wolcott urged her GVN interlocutors, particularly Vice Minister Thanh at MOST -- which has primary responsibility for nuclear cooperation agreements -- to respond to a draft Memorandum of Understanding Concerning Cooperation in Nuclear Energy and Other Energy Fields (MOU). The MOU was first proposed in June by the United States, and Wolcott urged Vietnam to sign it prior to the IAEA General Conference in early October (to facilitate conversations with U.S. industry representatives in attendance). While not legally binding, this agreement would serve as a high-level government endorsement of growing nuclear cooperation and will form a political framework under which our two countries can expand our nuclear cooperation. Like GNEP and the Joint Declaration, Ambassador Wolcott noted the MOU promotes the assurance of reliable access to nuclear fuel without the need for establishing new enrichment or reprocessing capacity. The MOU forms a stepping stone to a broader "Section 123" Agreement, which is required for significant nuclear exports from the U.S. (including nuclear material and major reactor components).

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¶8. (SBU) While MOST Vice Minister Thanh stated that the GVN needed further internal discussion of the MOU, Vice Minister Khu of MOIT, which has responsibility for the commercial development of nuclear power, stated that the GVN was preparing to finalize and sign the agreement. Similarly, MoFA Vice Minister Pham Binh Minh indicated likely support from his ministry. Officials within MOST and at VAEC and VARANSAC have already provided technical comments to MOST leadership and stressed their desire to commence a dialogue on the MOU's provisions, but noted that the document remained stuck somewhere within MOST (the responsible section of which is the Department of International Cooperation). VAEC Vice Chairman Hong commented that following Wolcott's meeting at MOST, he had discussed acceleration of the MOU process with the MOST Director of International Cooperation. Consistent with input from Embassy contacts at MOST, following her meetings, Ambassador Wolcott sent a letter to Vice Minister Thanh noting the apparent support for the MOU throughout the GVN and seeking his assistance to submit the document for inter-agency review and then to begin discussions with the United States.

World Bank Study on Nuclear Energy

¶9. (SBU) In each meeting, Ambassador Wolcott emphasized the importance of NPP financing as Vietnam moved to develop nuclear power. Vietnamese officials had not yet seriously considered this challenge, noting that they had assumed financing could be secured via loans from the World Bank, the International Monetary Fund, or the Asian Development Bank, or via export credits. Currently, however, the World Bank and Asian Development Bank do not provide financing for nuclear power projects, limiting potential sources of financing for these capital-intensive endeavors. Therefore, Ambassador Wolcott noted, the United States had joined with France and Japan to fund a World Bank study on the cost competitiveness of nuclear power in hopes that a favorable report on nuclear power

could help to overturn the World Bank's policy against nuclear power (and thereby result in similar changes at other multilateral development banks). Wolcott reported that this study has been temporarily suspended as a result of interventions by countries opposed to nuclear power, preventing World Bank management from re-evaluating its position on nuclear power financing. Noting the critical importance of backing from countries that may receive World Bank financing, Ambassador Wolcott suggested that the Vietnamese representative at the World Bank communicate with the U.S. representative to support this study. MOIT Vice Minister Khu and MoFA Vice Minister Minh both expressed particular interest in pursuing this possibility.

Technical Conventions

¶10. (SBU) Ambassador Wolcott stressed the importance of Vietnam joining the Convention on Supplementary Compensation for Nuclear Damage (CSC), a liability convention which reaffirms that jurisdiction over a nuclear incident lies only with the courts of the country where the incident occurs (Refs B and C). The CSC was designed to be a universal liability regime open to many nuclear energy states (e.g., the U.S., Japan, the Republic of Korea, and Canada) that cannot be party to existing liability conventions due to conflicts with national laws, so its ratification would greatly broaden the range of potential suppliers to the Vietnamese market. In addition to encouraging Vietnam to sign and ratify the CSC, Wolcott raised concern that Vietnam's recently-drafted Atomic Energy Law set a nuclear liability minimum of 150 million Special Drawing Rights, only half the basic level that the CSC would establish. Ambassador Wolcott therefore suggested that Vietnam revisit this provision during the implementation process of the Law.

¶11. (SBU) Noting that Vietnam is not party to three important technical conventions (the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Material, and the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management) Ambassador Wolcott encouraged the GVN to carefully consider ratification of these to help it develop and maintain the highest safety and security standards. VARANSAC DDG Dung noted that Vietnam is currently considering the first two of these, and that this requires his agency to draft a report summarizing the convention, outlining the

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GVN's obligations once it is ratified, and assessing the GVN's capacity to meet these. Due to this labor-intensive process, Dung noted, the GVN did not have sufficient resources to analyze additional conventions. He therefore requested USG assistance in performing these analyses, and the delegation undertook to identify an appropriate USG contact for this.

Comment

¶12. (SBU) Overall, the delegation was impressed by the carefully considered approach and the determination the GVN has shown toward developing nuclear power. Vietnamese officials made clear that safety and security are their topmost concerns, and noted that U.S.-Vietnamese civil nuclear cooperation towards these ends is functioning well without serious gaps or overlap. Consistent with previous conversations with high-level U.S. nuclear energy delegations (Ref A), the Vietnamese responded positively to Ambassador Wolcott's points, but did not commit to move forward on any specific issue. This most likely stems from the normal, slow-moving and consensus-based decision-making process on all nuclear-related issues, in which several ministries have a stake. Our working-level GVN interlocutors stress to us that their superiors often respond more attentively to external stimulus than to internal recommendations - as we learned during ultimately successful negotiations for the Arrangement for Technical Cooperation between VARANSAC and the NRC in the run up to Prime Minister Nguyen Tan Dung's recent visit to the United States. Therefore, we expect that Ambassador Wolcott's visit will spur Vietnamese decision-makers to focus on joining U.S.-supported bilateral and multilateral initiatives and to ultimately conclude

the nuclear cooperation MOU.

113. (U) This cable has been cleared with the Wolcott delegation.

MICHALAK